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UNCLAS ABUJA 001396

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DEPT FOR E:ANNE PENCE AND AF/W DON BOOTH

E.O. 12958: N/A

TAGS: ETRD ECON NI

SUBJECT: NIGERIA: PROCTOR AND GAMBLE DETERGENT COULD BE  
'GRANDFATHERED' UNDER OLD TARIFF RATE

REF: A. A) LAGOS 908  
B. B) ABUJA 1163  
C. C) LAGOS 725

**¶11.** In a April 12 meeting with the President's Principal Secretary Stephen Oronsaye and the President's Special

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Assistant for Budget Oby Ezekwesili, Ambassador Jeter raised Proctor and Gamble's concerns over the recent hike in tariffs on detergent from 40 percent to 100 percent. The Ambassador said that the U.S. company would not be able to sustain its domestic manufacturing capability in Nigeria without lower tariffs on its detergent, Ariel. P&G's proposed \$30 million investment in a greenfield factory in Ibadan would be halted if the tariff increase were not rescinded.

**¶12.** Oronsaye and Ezekwesili unambiguously responded that, under no circumstances, would the tariff hike be reversed; because the increase was designed specifically to protect domestic manufacturers of detergent. Proctor and Gamble is not manufacturing detergent in Nigeria, but importing it in bulk for local packaging, Oronsaye noted. At the Ambassador's insistence, Oronsaye conceded that perhaps P&G could be 'grandfathered' to enable them to import Ariel detergent under the old 40 percent rate for a specified time and at an agreed upon volume. Oronsaye thought this might be possible with a commitment from P&G to begin detergent manufacturing in Nigeria no later than 2.5 years following the grant of the grandfathered concession by the GON.

**¶13.** Comment. The GON position on P&G's request for lower tariffs is unequivocal. Oronsaye and Ezekwesili are two of President Obasanjo's closest advisors on economic and budgetary issues and both influence and reflect his thinking.

Post has recommended to Proctor and Gamble that it consider making a formal request to the GON to 'grandfather' Ariel detergent. Oronsaye's proposal would obviously be subject to negotiation. Two and a half years at the status quo ante rate might allow P&G to begin the manufacture of Ariel in Nigeria. The company could then benefit from the high tariff on detergent. End Comment.

JETER